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C O N F I D E N T I A L SECTION 01 OF 02 NICOSIA 000981

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TAGS: [PREL](#) [PGOV](#) [TR](#) [CY](#)

SUBJECT: CYPRUS: TURKISH AMBASSADOR'S INTERVIEW HARBINGER  
OF EARLY ELECTIONS?

REF: A. NICOSIA 558

[B](#). NICOSIA 650

[C](#). NICOSIA 929

Classified By: Classified by DCM Jonathan Cohen for reasons 1.4b and 1.4d

[1](#)1. (C) Summary: Departing Turkish "Ambassador to the TRNC" Turkekul Kurttekin's call for Turkish Cypriot (T/C) economic and structural reform may in fact be a harbinger of early "parliamentary" elections in 2009 (they are scheduled for 2010.) In two interviews, Kurttekin criticized the Turkish Republican Party (CTP)-led "government" for its inability to shrink a bloated, inefficient public sector and adopt market-driven mechanisms. His sharp call for reform embodies well-known Turkish positions that hitherto had been delivered largely through official channels, not public Q-and-As. Further, it seemed a clear response to repeated entreaties by the nearly bankrupt CTP "government" for extraordinary budgetary support, sans reform, beyond Turkey's 400 million USD annual aid package. The extent to which Turkey provides short-term assistance will likely determine the outcome of possible early elections. End Summary

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"The rudder is in your hands"  
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[1](#)2. (U) Turkish Ambassador Turkekul Kurttekin provided an unvarnished critique of the shortcomings of the Turkish Cypriot "administration" and economy in two lengthy interviews he gave to the mass circulation daily "Kibris" and the Turkish Cypriot (T/C) wire service TAK on December 12 and 15, respectively. Kurttekin's cri de coeur slammed the CTP-led "government" for its inability to reform the bloated, inefficient "state" apparatus. Nearly 82 percent of the draft 2009 budget would be spent on salaries and social transfers, he asserted, while just five percent was allocated for capital expenditures. Kurttekin urged the "government" to use Turkey's three-year, 1.2 billion USD aid protocol wisely and efficiently (the protocol, signed in 2006, finances roughly 25 percent of the 2009 "TRNC" budget.) He claimed that ultimately, the "rudder" to reform was in the hands of the Turkish Cypriots.

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"Don,t fixate on a solution over economics"  
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[1](#)3. (U) Kurttekin admonished the Turkish Cypriots not to "fixate too much on a solution (to the division of the island);" rather, they should first eliminate institutional shortcomings and economic deficiencies to "govern" themselves properly in the post-solution "new partnership." Kurttekin pointed out that both Turkey and the world had changed in the

25 years since the 1983 founding of the "TRNC," and the T/Cs had to act accordingly. Highlights of his two interviews included the following points:

- "Parliament" needs to work overtime to fix serious shortcomings in public institutions;
- The "government" has not taken a single step in line with the 2006 World Bank reform report;
- Massive "state" transfer payments hinder market principles and stifle entrepreneurship;
- Turkey will continue to help but cannot do everything. The reform effort has to be a Turkish Cypriot one.
- Authorities need to convince all sectors of the need for sacrifice.

14. (U) Press coverage was largely positive, with only one prominent columnist critical of Kurttekin's reform prescription. Hasan Kahvecioglu, in the center-right daily "Halkin Sesi," said that Ambassador Kurttekin was "insightful and positive," while "Kibris's" Hasan Hasturer wrote that he would leave "positive footprints." Only Ali Baturay, also writing in "Kibris," took the Ambassador to task for minimizing Ankara's role in creating the present mess. Baturay said that those in power in the north merely distributed Turkey's money to stay in power.

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"Ankara Putting Pressure to do the right thing"  
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15. (C) Kurttekin's public pronouncement tracks with what Turkish "Embassy" officials have been privately telling us

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and T/C officials. In a November 7 lunch with Ambassador Urbancic, Kurttekin said Ankara was "putting on pressure (to the 'TRNC') to do the right thing," noting that the 2006 World Bank report mentioned above was the proper "diagnosis" of the problem. The CTP "government," he said, had covered some ground, but simply wasn't doing enough to combat the "TRNC's" many ills.

16. (C) The teetering CTP "government" has indeed been unwilling to slash spending -- Ankara's demand before it would discuss providing extraordinary budget support to the Turkish Cypriots (Refs A and B). First on Turkey's chopping block are two T/C sacred cows: generous COLA payments, and the so-called "13th month salary," a holiday bonus paid at the end of the year. In a November 21 lunch with Ambassador Urbancic (Ref C), "PM" Ferdi Sabit Soyer said that he might be forced to call early elections in mid-2009 as a result of Ankara having rejected a 100 million USD loan request, from which he hoped to pay salaries. (Note: Soyer on December 16 again touted the possibility of a loan from Turkey, this time to be utilized for private sector stimulus.) CTP's number two, Omer Kalyoncu, told us on December 3 that Turkey was still blocking a request to transfer Turkish assistance allocated for infrastructure improvements to pay for the 13th salary. A "TRNC" spokesman announced on December 16, however, that the holiday bonus would indeed be paid.

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Interview Harbinger of Early Elections?  
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17. (C) Asim Akansoy (please protect), Talat's chief of staff, told us on December 15 that Kurttekin sought to weaken the present CTP government. His interviews were a clear message from Turkish Deputy PM Cemil Cicek, no friend of the Turkish Cypriots and feared to be sympathetic to the main opposition, the separatist National Action Party (UBP). That said, Akansoy admitted that all in AKP, including Turkish PM Erdogan, were serious about economic reform in northern Cyprus. Even "TRNC President" Mehmet Ali Talat found Kurttekin's comments valid, he added. Levent Eler, number three at the Turkish "Embassy," told Embassy officers on

December 4 (before the Kurttekin interviews) that Turkey stood by its position of "no blank checks" for the "TRNC," noting that early elections might in fact be in the offing. A new "government," he believed, would have the mandate to conduct serious structural and economic reforms.

18. (C) Akansoy earlier had predicted early elections in a December 3 meeting with us, arguing that the pro-solution CTP could renew its electoral mandate provided it got a new dose of Turkish aid. This projection approximates a scheme that "PM" Soyer outlined to us (Ref C) in November, whereby he would try to secure all 2009 Turkish aid upfront in order to keep the "state" apparatus running in the short term (and in so doing burnish his party's chances in early elections.) Kalyoncu also hinted at early elections coming after CTP's March 2009 congress. Necdet Ergun, a leading economist with close ties to both Talat and the business community, told Embassy officers on December 2 that Ankara might indeed front some money to the present "government," but was unsure if the amount would be decisive.

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Comment  
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19. (C) Kurttekin was on target regarding "governance" and economic shortcomings in the north. The positive press coverage the interviews received indicates not only the accuracy of his observations, but the extent of public frustration with the administratively inept CTP-led "government." Turkey clearly wants economic reform. Its refusal to bail out the CTP may be an attempt to achieve it through early elections and a new "administration." Should the opposition UBP come to power, Talat would still run the negotiations as "TRNC President" and T/C leader, at least until his term expires in April 2010. Ankara might in fact use UBP in a "good cop, bad cop" routine with Talat to wring greater concessions out of the Greek Cypriots. We have doubts, however, whether a UBP-led "government" in the north would enjoy greater success than CTP in trimming the bloated "state" bureaucracy. End Comment.  
Urbancic